

Message Text

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44

ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 L-03 LAB-06 NSAE-00 NSC-10

PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02

TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 SAM-01 DRC-01

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R 151752Z FEB 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0486

INFO AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

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DEPARTMENT PASS AGRICULTURE FOR GOODMAN G&F DIVISION.

E.O. 11652, N/A

TAGS: EAGR, GW

SUBJECT: EC POTENTIAL STOCK BUILD-UP

REF: (A) FASTO CIRC. 38; (B) TOFAS 49 (TO GOODMAN)

1. CHIEF OF THE GRAIN MARKETING SECTION, MINISTRY OF AGRICULTURE FRG APPARENTLY DISTURBED BY OUR AWARENESS OF POTENTIAL STOCK BUILD-UP OUTLINED SEVERAL STEPS HE HAS PROPOSED TO THE COMMISSION TO REDUCE THE APPARENT EXCESS: (1) ELIMINATION OF THE COMPENSATORY PAYMENTS FROM OLD CROP TO NEW. (2) WHEN REPLENISHMENT OF FEDERAL RESERVE STOCKS IS NECESSARY, ACQUISITION BE KEPT TO A LIMITED OFFICIAL USE

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MINIMUM AND (3) URGE THE COMMISSION TO IMPLEMENT AN

IMMEDIATE EXPORT PROGRAM. PENDING THE RETURN OF HIS GRAIN EXPERTS FROM BRUSSELS HE COULD ONLY ROUGHLY ESTIMATE THAT THE EC EXCESS IS ABOUT 4.5 MILLION TONS OF ALL GRAINS WITH 3.5 MILLION IN WHEAT. HIS BASIS WAS A SIMPLE COMPARISON OF EXPORT AND IMPORT LICENSES ISSUED THIS YEAR COMPARED TO LAST YEAR.

2. THE COMMISSION IS REPORTED TO HAVE RECENTLY ADVISED THE COUNCIL THAT THE COMMISSION WILL NOT PROPOSE COMPENSATORY PAYMENTS AND FURTHER THAT CORN WILL BE CHANGED FROM AN OBLIGATORY PAYMENT STATUS TO A VOLUNTARY ONE AND THUS CORN PAYMENTS CAN ALSO BE WITHHELD.

3. IN THE FACE OF AN INTERVENTION AGENCY MANDATE TO MAINTAIN A MINIMUM STOCK LEVEL MIN. AG. REPRESENTATIVE INDICATED HE COULD NOT SINGLE-HANDEDLY PREVENT ALL COMMODITY TENDERS. REF. BINDICATES TO US THAT REPLENISHMENT WILL BE MINIMAL - PROBABLY ONLY ENOUGH TO SATISFY RUMORED LONG POSITION IN HUNGARIAN CORN HELD BY PROMINENT GERMAN FIRM WHO PRESSED FOR THE TENDER.

4. OUR INQUIRY FOR CLARIFICATION OF THE TRUE STATE OF GRAIN SURPLUSES OFFERED HIM ANOTHER OPPORTUNITY TO PRESS THE COMMISSION FOR AN EXPORT PROGRAM TO (1) FORESTALL FURTHER U.S. CONCERN AND (2) TAKE ADVANTAGE OF PRESENT HIGH WORLD PRICES. HE WAS QUITE CRITICAL OF LARDINOIS' QUOTE QUARTERMASTER POLICY UNQUOTE THAT HE CONTENTS HAS NOT FOUND FAVOR WITH MANY PRODUCERS AND IS NOT RESPONSIVE TO WORLD NEEDS.

5. WE WILL FORWARD THE MIN. AG. PROMISED BALANCES AS SOON AS THEY ARE RECEIVED BY US. A CONSENSUS OF TRADE VIEWS WILL ALSO BE PROVIDED SHORTLY.

HILLENBRAND.

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